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DEPARTMENT FOR EUR/FO AND EUR/CE JAMIE LAMORE. PLEASE PASS
TO NSC JEFF HOVENIER AND KHELGERSON

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SUBJECT: NEW HUNGARIAN PRIME MINISTER OR EARLY ELECTIONS?

REF: BUDAPEST 225

Classified By: Acting P/E Counselor Jon Martinson, reason 1.4 (b,d)

¶1. (U) Summary. Negotiations continue between the ruling Socialist party and their former coalition partner Free Democrats on a Prime Minister candidate to replace Ferenc Gyurcsany. Gyorgy Suranyi, former National Bank governor, appears to have SzDSz support, but he publicly states he will only accept the nomination if the opposition Fidesz party agrees to a "cease fire." If the constructive vote-of-no-confidence fails to elect a new PM -- and Gyurcsany still follows through with his resignation -- a new PM could be nominated by President Solyom. For the first time, today Solyom publicly supported early elections as the most democratic way to form the new government. End summary.

POTENTIAL MSZP/SZDSZ AGREEMENT - FIDESZ OPPOSITION

¶2. (C) Following Prime Minister Gyurcsany's announcement that he will resign following a constructive vote-of-no-confidence, currently scheduled for April 14 (reftel), the governing Socialist party (MSzP) and former coalition partner Free Democrats (SzDSz) are working towards an agreement on an acceptable Prime Minister candidate. Currently, MSzP proposes three potential candidates: Gyorgy Suranyi, former National Bank governor; Ferenc Glatz, historian, and one-time Minister of Culture in the last communist government; and Andras Vertes, CEO of the GKI Economic Research Institute. Suranyi is emerging as the most likely choice, however, he has stated publicly that he is still uncertain as to whether he will accept the offer. (Comment. Karoly Banai, the Prime Minister's Security and Foreign Policy Advisor, told the Ambassador on March 24 that Suranyi told the SzDSz leadership that if the opposition Fidesz party does not agree to call a "cease fire" on targeting a Prime Minister who pushes needed economic reforms, he would be reluctant to accept the offer. During a dinner meeting with the Ambassador on March 23, Fidesz President Viktor Orban, having just met with Suranyi, told the Ambassador that he, Orban, had already "killed several potential Prime Minister candidates," reflecting Orban's intent to continue to push for early elections rather than support any PM candidate, "even if one came from the right." End comment.)

¶3. (C) SzDSz party executive committee member Matyas Eorsi (strictly protect) told EmbOff on March 25 that he tried to

convince Suranyi to accept the nomination with the proviso that Suranyi demand that SzDSz join in a coalition government again with MSzP. Eorsi said that Suranyi does not want to lead a minority government, and as the Socialists do not have a majority in Parliament, Suranyi would need SzDSz support in any case. Eorsi estimated that the two parties would come to an agreement on an acceptable candidate within the next two days, and SzDSz MP Klara Sandor told the Ambassador on March 25 that the Suranyi candidacy is "a done deal."

FAILED NO-CONFIDENCE VOTE - WHAT THEN?

14. (C) If MSzP and SzDSz agree on a PM candidate within the next two days, the proposed April 14 constructive no-confidence vote may occur as early as April 8. If the motion does not pass and Prime Minister Gyurcsany steps down, as he has stated, then President Solyom has to nominate a new PM candidate. If Parliament does not elect the President's nominee within 40 days, the President must dissolve Parliament and set a date for new elections. (Comment. During the Ambassador's farewell call with President Solyom on March 25, the President restated his morning comments to the press that early elections would be the most democratic method to select a new government. Stating that MSzP and SzDSz are only agreeing on a PM candidate and not a platform or a coalition to support a platform, the result will be another year of ineffective government. With early elections, all the political parties would be forced to outline for the voters their plans, a more democratic option that would result in leadership that has a clear mandate from the people and a greater ability to address Hungary's economic crisis. End comment.)

THREE TOP CANDIDATES

15. (U) Summaries of the top three candidates follow.

- Dr. Gyorgy Suranyi

Dr. Gyorgy Suranyi continues to be considered by most as the leading candidate to replace Prime Minister Gyurcsany (see reftel for additional biographical information). Among the current candidates, he also appears to be the one most favored by markets, given his experience as National Bank governor and his role in earlier economic reforms. An economist by training, he is seen as both competent and credible, and enjoys relatively high personal poll ratings. Although close to the socialists, the fact that he has been in the private sector for much of the last decade insulates him from most of the blame for Hungary's current economic situation.

- Andras Vertes

Since 1987, economist Andras Vertes has been the CEO of the Economic Research Institute (GKI), one of Hungary's four major research institutes. Although nominally independent, GKI analyses tend to support the current government. Born in 1951, Vertes is a graduate of the Budapest University of Economics, and his primary research focus is macroeconomics and economic policy. He began his career at GKI in 1975. In 1981 he moved to Hungary's National Planning Office. He returned to GKI in 1987, first as director and later as CEO. He has served on a number of economic-related advisory committees to socialist governments. In 1990, Vertes made an unsuccessful bid for Parliament as an MSzP candidate.

Although a respected economist, Vertes lacks Suranyi's finance background and government experience. Many believe he also lacks the political strength to push through significant economic reforms. On Hungary's economic crisis, Vertes characterized Hungary's biggest problem as "the over-politization of the economic situation." His priorities for addressing the economic crisis include

preserving financial stability, ensuring that government debt remains below three percent, and that Hungary develops a credible Euro-accession plan.

- Ferenc Glatz

Ferenc Glatz is a historian and former President of the Hungarian Academy of Science. In 1968 he worked for the History Institute of the Hungarian Academy of Sciences, and served as Minister for Education and Culture under Prime Minister Nemeth. In 1996 and 1999 he was elected president of the National Academy of Science. The reorientation of the direction of the Academy is considered to be among his major achievements, refocusing attention on the possibilities, advantages and turmoil as a result of Hungary's change in political system and EU accession. At the end of 2008, Glatz took part in the establishment of the Reform Alliance, which has put forth a proposal for structural economic reform for Hungary. Glatz is not viewed as the most likely candidate, however, as his lack of economic experience appears to make him an unpalatable candidate for SzDSz. In addition, a number of analysts question whether he would have the ability to successfully navigate Hungary through its current economic crisis.

16. (C) Comment. Although Post views Suranyi as technically well qualified, his quiet, unassuming nature may not serve him well in the rough and tumble world of Hungarian politics.

His first public comments concerning his potential candidacy, stating that he would need Fidesz's support in order to accept the PM position reflects a certain political naivete. The current state of affairs surrounding a potential new Prime Minister reflect the volatile, polarized, Hungarian political climate. The Socialists need the Free Democrats support for any potential PM candidate to enhance the possibility for a successful constructive vote-of-no-confidence. While SzDSz has stated that they are willing to work towards an agreement on a candidate, they are not willing to join a coalition. Eorsi's suggestion to Suranyi that he accept the nomination only on that condition, while understandable, may only heighten Fidesz's rhetoric, railing against any new government as illegitimate, with the only solution being new elections. Even if the non-confidence motion fails and the Prime Minister steps down, the constitutional process to elect a new PM makes it highly unlikely that Fidesz's goal to hold national elections in conjunction with the European Parliamentary elections in June would be possible.

Foley